

EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

Supplement A — No 12 — December 1985

Recent economic trends

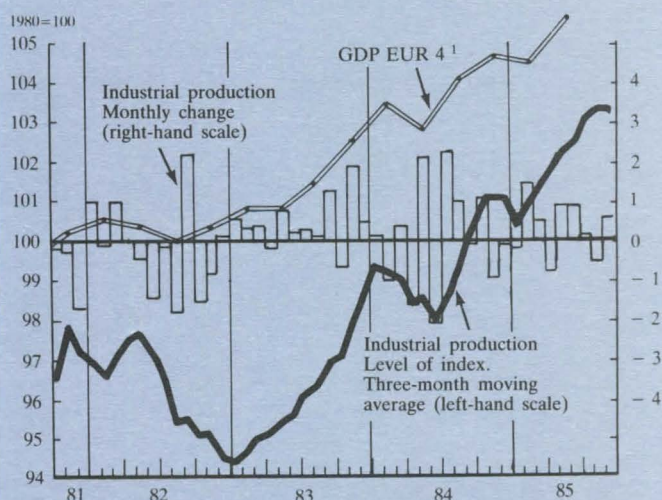
Industrial production back on moderate growth path. — After a set-back in August (− 0,6 %) total real industrial production in the Community grew by 0,6 % in September (s.a.). This resulted from improved growth rates in Italy (+ 2,1 %) and the UK (+ 1,5 %) and the steady growth of the Danish economy (+ 1,8 % in September). In Germany (− 0,6 %), France (− 1,5 %) and the Netherlands (− 3,8 %) industrial production fell in September as compared to August. The September/August-comparison is still influenced by the fact that seasonal adjustment procedures have not yet fully taken into account the lengthening of, and changes in, holiday periods. In the case of the Netherlands (see Table A.1) the reported reductions in industrial production during the second and third quarters are due to reduced extraction of raw materials. Manufacturing industry itself has been steadily growing (by + 0,9 % in both the second and third quarters). The level of production in the Community in September 1985 was 2,9 % higher than a year earlier. Among production sectors, investment goods industries grew most strongly (+ 5,0 %). The trend growth of industrial production, as indicated by a three-month moving average, has been positive since the beginning of the year. It has, however, been slowing down. This overall picture results from rather disparate developments in the member countries. Denmark achieved an 11,1 % increase in industrial production during the last twelve months, increases in the United Kingdom (+ 5,6 %), Germany (+ 5,3 %), Luxembourg (+ 4,5 %), Greece (+ 4,0 %) and Ireland (+ 3,5 %) were above the average annual rate of growth and slightly below in Belgium (+ 2,3 %). On the other hand production in Italy, France and the Netherlands virtually stagnated. Trend movements in the latter countries, however, differ significantly: the negative trend in France during the winter months has now become positive and more stable. In the Netherlands the fall in industrial production in September halted the improvements observed in the previous months: the trend rate of growth has now been continuously negative for the last five months. In Italy the September improvement did not suffice to reverse the negative trend of previous months.

Slight improvement in the unemployment situation continues. — At the end of October 12,7 million people were registered as unemployed in the Community (excluding Greece). This is

In this number: *Price developments in the Community*

an increase of 1,8 % from October 1984. The rate of unemployment in the Community was 11,1 %, the same as in September (see Table A.2). The number of unemployed in the Community fell by 0,5 % (s.a.) in October compared to September and is now 1,1 % below the August peak. All member countries reported unchanged or lower rates of unemployment in October. For Belgium (12,8 %), Denmark (8,2 %), Ireland (17,6 %) and the Netherlands (12,8 %) this continues a process of reduction in the rates of unemployment, which has been ongoing now for several months. For Germany (8,5 %), France (10,3 %), Italy (13,0 %) and the UK (12,1 %) the rates are virtually unchanged. With the exception of France, in all of these countries, employment statistics indicate an increase in employment over recent

GRAPH 1 : Industrial production and gross domestic product (s.a.) - EUR total



¹ France, Germany, Italy and UK: quarterly figures

months, but this is still balanced by increases in the numbers seeking jobs.

Visible trade balance improvement slows. — The first quarter of 1985 saw a considerable deterioration of the EC visible trade balance on a fob/cif basis. This increase of monthly trade deficits was subsequently reversed until July. The seasonally adjusted trade figures for August show a modest widening of the trade imbalance from 665 million ECU in July to 949 million in August. The accumulated EC deficit for the first eight months of 1985 (16 552 million ECU) is marginally lower than the one recorded for the same period in 1984 (16 803 million ECU). It is noteworthy that the slight worsening of the EC trade account in August was due to the reduction of the Dutch and, in particular, the German surplus and not to a weakening of the performance of countries registering a deficit in July. The decline of the German visible trade surplus was sizeable (from 3 276 to 2 413 million ECU) but preliminary figures for September suggest that this does not mark the beginning of a downward trend. The sharp improvement of Italian trade figures observed in July is

confirmed by the data for August. In France, the widening of the deficit in July was partly reversed in August. The BLEU and Denmark have been steadily reducing their trade deficits. The UK also registered a modest improvement in its trade performance in August relative to the deficits incurred in June and July. This improvement did not, however, prevent the British deficit for the third quarter of 1985 from exceeding that of the second quarter.

The Community's monetary growth more buoyant in August.

— With almost all the Member States showing an appreciable rise in their monthly rate of monetary growth in August, the Community's average money supply grew by 1 % (seasonally-adjusted figures), compared with 0.1 % in July. Money supply was up by an average of 9.6 % on the previous August, i.e. by slightly less than the 10 % increase recorded between July 1984 and July 1985. In the Netherlands, the economy's liquidity ratio increased further and now stands at a level not seen since the early 1960s. The September statistics indicate that monetary growth continues to be buoyant in the United Kingdom and that money creation has

TABLE 1: Principal price deflators of components of GDP
(Percentage change on previous period, annual rates; seasonally adjusted)

	GDP ¹⁾	Imports ²⁾	Exports ³⁾	Final Domestic demand ³⁾	Gross fixed investment	Government consumption	Private consumption
EUR 4							
1982 Q1	11.1	5.2	10.8	9.6	8.4	8.6	9.2
Q2	7.6	2.3	7.5	6.2	6.0	10.3	9.2
Q3	9.1	9.8	9.1	9.3	5.0	5.9	8.5
Q4	6.0	8.2	6.1	6.5	5.9	6.8	7.5
1983 Q1	10.4	-1.9	2.9	9.0	5.5	12.8	8.6
Q2	4.8	4.3	3.4	5.0	5.6	5.7	7.2
Q3	9.0	7.2	11.5	7.9	7.2	8.2	6.2
Q4	6.5	9.2	9.4	6.4	6.0	6.0	6.5
1984 Q1	5.9	12.7	6.6	7.4	4.4	7.0	7.0
Q2	4.0	3.1	4.3	3.6	2.3	5.3	5.5
Q3	4.3	7.3	6.5	4.5	7.3	4.4	4.1
Q4	4.6	9.7	8.2	5.0	5.5	9.1	5.0
1985 Q1	7.1	13.3	8.8	8.4	4.5	5.8	7.4
Q2	4.9	-3.5	2.9	2.9	3.8	3.5	4.4
Federal Republic of Germany							
1983 Q1	5.0	-5.2	-0.7	3.7	1.5	0.6	2.9
Q2	-0.6	-4.4	0.9	-2.2	1.1	1.5	2.3
Q3	6.5	9.7	4.8	7.9	4.7	7.2	3.3
Q4	2.3	5.7	4.8	2.6	3.3	0.5	2.6
1984 Q1	2.7	6.9	2.4	4.1	2.0	0.1	3.7
Q2	-0.4	-0.1	1.4	-0.8	-1.6	3.1	2.1
Q3	-0.6	4.1	3.6	-0.6	4.6	-3.4	0
Q4	2.7	5.7	5.7	2.7	2.3	6.9	2.2
1985 Q1	5.9	8.0	2.0	8.3	4.9	4.6	4.0
Q2	-0.3	1.3	3.1	-1.2	-4.3	2.3	2.8
France							
1983 Q1	13.0	-8.3	-2.8	10.9	8.6	10.5	12.4
Q2	10.3	17.2	12.6	12.0	9.9	12.8	12.2
Q3	8.4	7.3	13.8	7.1	6.4	11.1	8.4
Q4	7.5	6.2	10.2	6.6	7.6	6.9	6.8
1984 Q1	6.5	24.0	8.4	10.1	5.2	16.3	7.0
Q2	6.9	-0.9	11.5	3.8	5.4	3.8	6.4
Q3	7.2	0.7	1.7	7.1	7.0	5.2	8.0
Q4	3.5	16.2	7.2	5.6	6.9	6.8	4.9
1985 Q1	5.8	7.4	5.7	6.2	0.5	7.6	6.3
Q2	8.6	-7.5	6.9	4.8	10.8	3.3	4.7
Italy							
1983 Q1	19.8	-10.0	2.9	15.5	11.6	23.7	15.4
Q2	10.8	2.5	-3.9	13.1	10.1	14.7	12.2
Q3	14.9	13.9	30.6	11.7	11.5	13.5	9.3
Q4	14.4	18.8	18.1	14.9	9.6	12.3	14.6
1984 Q1	11.0	8.9	6.1	12.1	9.6	11.3	12.2
Q2	8.1	5.6	-0.1	9.3	8.0	10.7	9.5
Q3	6.0	13.1	11.6	6.9	6.0	10.2	5.9
Q4	8.8	8.0	9.9	9.4	6.7	9.7	9.9
1985 Q1	12.1	15.6	16.9	11.8	10.5	9.3	12.1
Q2	8.2	6.7	2.8	9.7	8.2	8.6	9.9
United Kingdom							
1983 Q1	6.1	20.1	11.7	7.8	1.9	20.7	5.8
Q2	0.5	4.2	1.9	1.0	2.0	-3.1	3.8
Q3	7.7	-1.6	5.2	5.9	7.7	2.5	4.7
Q4	3.9	7.8	6.7	4.0	4.5	6.5	4.3
1984 Q1	4.7	13.3	10.4	5.3	2.4	4.0	6.9
Q2	2.7	8.7	3.8	4.1	-0.4	4.4	5.5
Q3	6.0	12.8	9.8	6.8	11.4	8.2	3.6
Q4	4.4	11.6	10.5	4.7	6.8	13.6	4.4
1985 Q1	5.7	23.9	15.4	8.0	5.5	2.5	8.7
Q2	4.9	-14.1	-2.7	0.8	1.2	0.6	1.7

¹⁾ F.R. Germany : GNP.

²⁾ Goods and services including intra Community Trade. F.R. Germany: including factor incomes.

³⁾ Including inventory formation.

Sources: estimates by the Commission Services based on national accounts data for the Federal Republic of Germany, France, the United Kingdom and Italy.

increased appreciably in France but has slowed in Denmark, Greece and Italy. In Ireland, the money supply declined. The United Kingdom monetary authorities decided temporarily to abandon the monetary target for sterling M3 but will continue to monitor the growth of this aggregate. France has set a target range of 3 %-5 % for the growth of the aggregate M3 (new definition) in 1986, to be achieved by a more active interest rate and compulsory reserves policy. This range is the same as that adopted by the Bundesbank for 1985 and lower than the new target range set for the growth of German central bank money stock in 1986, 3,5 %-5,5 %.

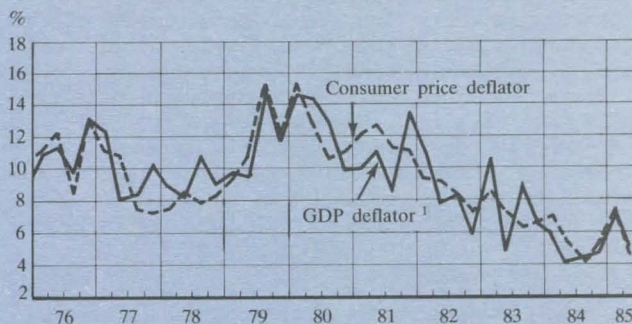
Short-term interest rates ease once more. — The Community average for short-term interest rates, which had risen slightly in October to stand at 9,5 %, fell back to 9,4 % in November. In that month, interest rates fell on four of the six money markets on which the cost of money had risen in October, namely Denmark, Germany, Italy and the Netherlands, but still stayed above the September level. By contrast, the cost of short-term money remained stable in the United Kingdom, rose further in Greece and firmed slightly in Ireland. Italy cut her discount rate from 15,5 % to 15 % with effect from 8 November and reduced the penalties for banks making frequent use of the central bank's fixed-term advances. The Belgian and French monetary authorities encouraged their short-term rates to go on falling by bringing down their key money market rates. In October, the Community average for long-term interest rates stood at 9,9 % compared with 10 % in September; rates fell in most Member States, except for Luxembourg where the yield on long-term securities remained stable, and Germany and the Netherlands where a slight rise was observed.

Further depreciation of the dollar and appreciation of the yen. — The announcement made by the Group of Five in September to induce a fall in the dollar relative to other major OECD currencies continued to be felt throughout November. The dollar eased further to 0,852 USD per ECU and stood 14,1 % lower than its level of November 1984. The yen, on the contrary, strengthened vis-à-vis the ECU and reached 173,8 yen per ECU. Between August and November 1985 the yen appreciated some 8 percent relative to the ECU. However, on account of its weakness in the first half of the year, the yen's appreciation amounts only to 4,2 % on an annual basis. The economic difficulties being experienced in Greece prompted the drachma to fall by another 6,5 % in November against the ECU. As a result, the drachma depreciated by more than 40 % over the last twelve months. Sterling also continued to depreciate in relation to the ECU. In a two month period it lost some 2 per cent, partly compensating for the rise registered in the second quarter of 1985. The exchange rate scene within the EMS was quiet in November 1985. All currencies participating in the exchange rate mechanism remained virtually unchanged.

Progressive slowdown in inflation in the Community. — Year to year inflation rates for the Community have slowed down progressively since the second quarter of the year to reach 5,1 % in October. Prior to this, the severe weather and the upward movement in the dollar had broken the steady decline in the inflation rate trend measured from the high point of 14,4 % recorded in May 1980.

Price developments during 1985 are reviewed below, on the basis of the quarterly national accounts and including an analysis of the principal components of price increases and recent trends in commodity prices.

Community's domestic cost inflation eases back below 5 % in the second quarter of 1985. — According to estimates based on quarterly national accounts data for the four largest Member States, the price deflator of GDP in the Community, the broadest indicator of internal inflation, rose at a seasonally adjusted annualised rate of 4,9 % in the second quarter of 1985, well down on the figure of 7,1 % recorded in the first quarter. The terms of trade improved markedly in the second quarter as the dollar fell by 8,1 % against the ECU. Thus the rate of increase in the final domestic demand deflator was more than halved to under 3 % (s.a.a.r.). Much of the slowdown in inflation was seen in the stockbuilding component, influenced undoubtedly by the fall in import prices of 3,5 %. Although the deflator for investment was only 0,7 percentage points below that of the first quarter, the

GRAPH 2 : Deflators ¹

¹ Annual rates, seasonally adjusted.

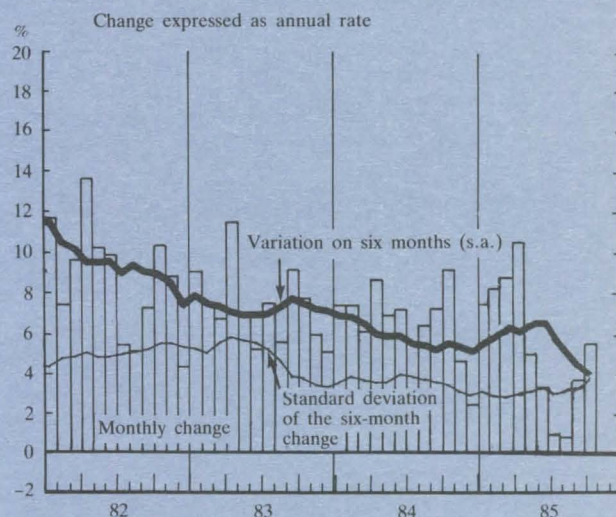
Source : Estimates by the Commission services based on national accounts data for the four major EC Member States.

slowdown has been in evidence for three quarters now so that the 7,3 % increase registered in the third quarter of 1984 was down to 3,8 % in the second quarter of 1985. The rise in the price of government consumption slowed down markedly in the first half of the year. By the second quarter of the year the rate was down to a figure of 3,5 % (s.a.a.r.). The turning point in the private consumption deflator only occurred in the second quarter of 1985, but the deceleration was more substantial (from 7,4 % to 4,4 %). The slowdown in the consumption deflator, was principally due to developments in the United Kingdom, where a fall of 7 percentage points was registered, essentially due to the sharp decrease (14,1 %) in import prices.

In three of the four Member States for which quarterly national accounts price series are available, the behaviour of the GDP deflator followed the pattern described above. However, in France some acceleration occurred during the first half of 1985. The acceleration in the second quarter to 8,6 % (s.a.a.r.) was essentially due to the slowdown in import prices not being fully reflected in the prices of domestic demand components. Investment prices, which were virtually unchanged during the first quarter of the year, did in fact accelerate, but this was due to the strong import prices in the previous two quarters.

Trend rate of inflation in the Community decelerates. — The index of consumer prices in the Community in October (unadjusted) rose by 0,5 % on a month earlier compared to 0,3 % in September. However, when adjusted for seasonal factors, both months show rises of 0,3 %. The underlying

GRAPH 3 : Consumer prices EUR 10



trend rate of inflation, measured as the seasonally adjusted rate of change over six months at an annual rate, fell in October to 4,0 % continuing the sharp deceleration in evidence since June 1985. With the exception of Greece where there has been a sharp acceleration in the trend rate since July, all countries shared in this progressive downward movement in trend rates. The divergence in price changes within the Community, measured as the weighted standard deviation of inflation trends in each country, widened again in October as the Greek inflation trend moved further from the Community average. The index of consumer prices in the Community in October was 5,1 % higher than a year earlier, with annual inflation rates ranging from 1,8 % in Germany to 21,1 % in Greece.

Community inflation rates in the international context. — As yet the slowdown in prices has not brought inflation for the Community as a whole down to a level comparable to that in the United States or Japan (see Table 2). However a more detailed analysis of the origin of price increases (shown in Table 3), suggests that the gap is closing.

TABLE 2 : **Consumer price developments — Summary**
(% change in consumer price index)

	1982	1983	1984	October 84/ October 85
EUR	10,1	7,6	6,3	5,1
USA	6,2	3,2	4,3	3,2
Japan	2,7	1,9	2,2	2,1

The depreciation of the ECU against the dollar until 1985 boosted prices in the Community while depressing them in the United States. In 1986 this situation will be reversed, with the nominal effective exchange rate of the Community with respect to its principal partners exerting a strong restraining influence (up to - 0,9 percentage points) on the price of total final expenditure. In the United States on the other hand exchange rates are expected to boost prices of total final expenditure by + 0,9 while in Japan the impact is expected to be broadly neutral.

Domestic factors (column 9 of Table 3) accounted, in 1985, for 3,9 percentage points of the rise in the price of total

expenditure in the Community while in the United States they accounted for 3,2 points. Both of these contributions were significantly above that in Japan. In 1986 the relative positions of the Community and the United States are expected to be reversed, with the contribution of domestic factors falling to 2,7 percentage points in Europe while the figure for the United States accelerates to 3,6 percentage points. Japanese domestic cost pressures are however expected to remain considerably lower.

Relative price performance in the individual Member States is also substantially influenced by nominal exchange rate changes. In 1986, on the basis of current forecasts, nominal exchange rates are only expected to exert upward pressure on prices in Greece (3,5 percentage points) and to a more modest extent in Italy (0,9). In the other countries the downward impetus varies from 0,7 percentage points in Denmark, France and Ireland to 1,4 points in the Netherlands. As regards internal contributions to the increase in prices, unit labour costs in 1986 are forecast to give a stronger boost to prices than in the United States in only two countries, Greece (3,7) and the United Kingdom (2,4). However, two other countries Italy (1,9) and Luxembourg (1,6) will experience a greater contribution from unit labour costs than Japan.

Commodity prices weaken further. — After the rapid increase in the first half of 1983, dollar prices of non-oil commodities have continued to fall back since the beginning of 1984 to near the levels recorded in the second half of 1982 (see Graph 5). Import prices for oil in dollar terms have been falling steadily now since the beginning of 1981 (Graph 6). Although the average spot price has been relatively steady in the first three quarters of the year (Graph 7) a general easing has occurred in recent weeks. Up to the beginning of 1985 this general slackness in the prices of raw material prices has not been felt by European importers because of the strong dollar. However, since the second quarter of the year the weakness of the dollar has led to a sharp fall in ECU prices bringing them back to the level of mid-1983.

17 December 1985

TABLE 3: **Origin of price increases (final expenditure)**

	Total	Imports ³			Unit labour costs	Indirect taxes	Other factors	Total	of which Domestic factors ⁵
		of which ⁴							
		export prices of suppliers	nominal effective exchange rate	of which real exchange rate					
<i>EUR 10</i>									
1982	0,6	-0,2	0,8	0,8	3,5	0,9	2,9	7,9	7,3
1983	0,2	-0,5	0,8	0,5	2,3	0,7	2,0	5,3	5,3
1984 (1)	1,1	0,0	1,1	0,9	1,6	0,5	2,1	5,3	4,4
1985 (2)	0,6	0,3	0,3	0,3	1,6	0,4	1,9	4,5	3,9
1986 (2)	-0,3	0,6	-0,9	-0,8	1,2	0,5	1,2	2,5	2,7
<i>USA</i>									
1982	-0,6	0,5	-1,1	-1,2	4,9	0,4	1,0	5,6	6,3
1983	-0,4	0,1	-0,5	-0,4	1,9	0,2	1,9	3,5	3,8
1984 (1)	-0,2	0,4	-0,7	-0,6	1,2	0,1	2,1	2,6	2,8
1985 (2)	-0,5	-0,1	-0,5	-0,5	2,3	0,4	0,8	2,6	3,2
1986 (2)	0,5	-0,4	0,9	0,9	1,9	0,4	1,6	4,1	3,6
<i>Japan</i>									
1982	0,3	-0,3	0,6	1,4	1,4	0,3	-0,2	1,9	0,8
1983	-0,7	0,6	-1,3	-0,9	1,3	-0,3	-0,4	0	0,3
1984 (1)	-0,4	0,2	-0,6	-0,3	-0,1	0,2	0,5	0,1	0,2
1985 (2)	-0,3	-0,2	-0,2	0,1	0,9	0,3	0	0,8	0,9
1986 (2)	0,3	0,4	-0,1	-0,1	1,3	0,3	-0,5	1,5	1,2

¹ Estimate.

² Forecast (October 1985).

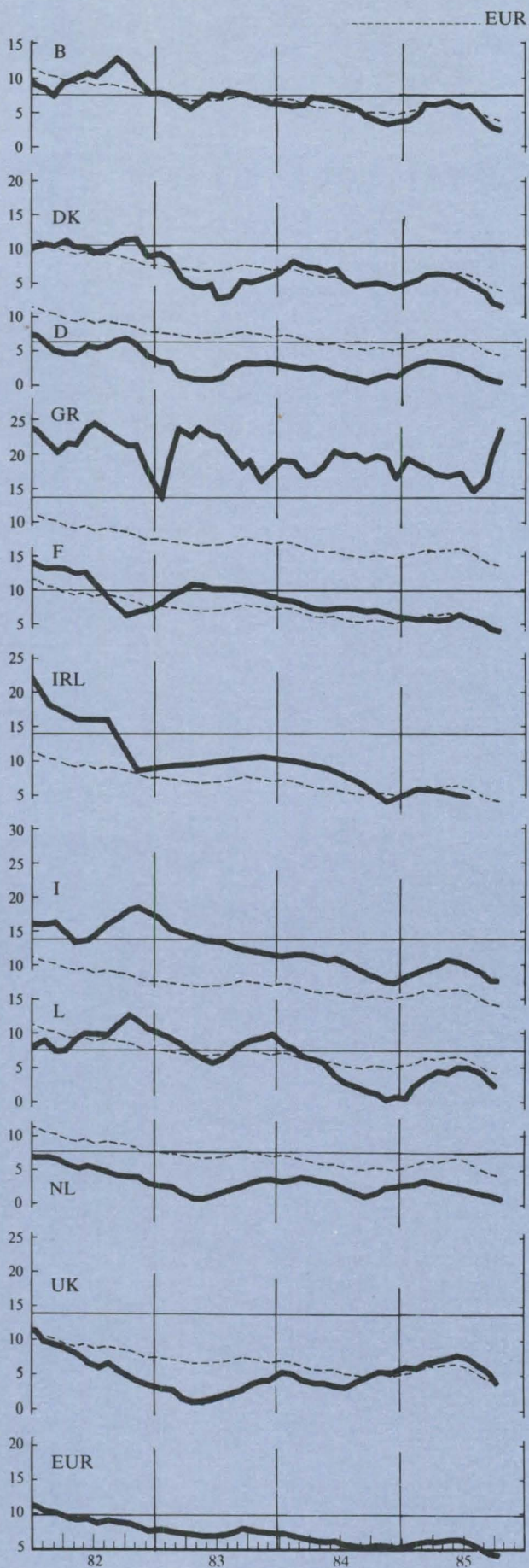
³ Excluding intra-Community trade.

⁴ The breakdown of the total import price into its components is based on geometric rather than arithmetic weights. The elements therefore do not exactly sum to the total import contribution.

⁵ Total, excluding the effect of export prices of suppliers and real exchange rate changes. The factors were regarded as additive.

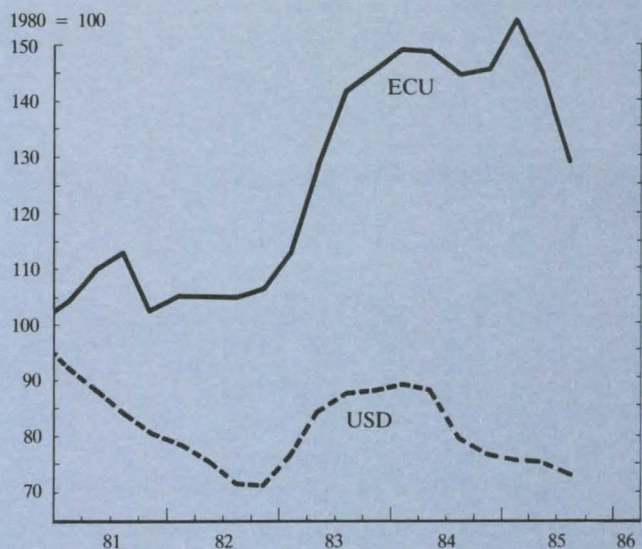
Sources: Eurostat and Commission services. For methods used, see technical annex of European Economy, No. 18, November 1983.

GRAPH 4 : Consumer price trends ¹ in EC Member States

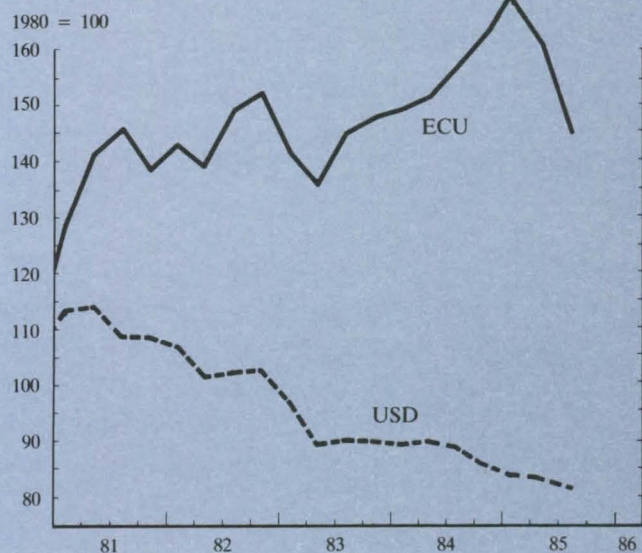


¹ Change over 6 months, annual rates (s.a.). The horizontal line indicates the average rate of change from 1970 to 1980.

GRAPH 5 : Commodity prices
(The Economist's index, all items)



GRAPH 6 : Import price (cif) of crude oil, EUR total



GRAPH 7 : Price of crude oil, USD per barrel

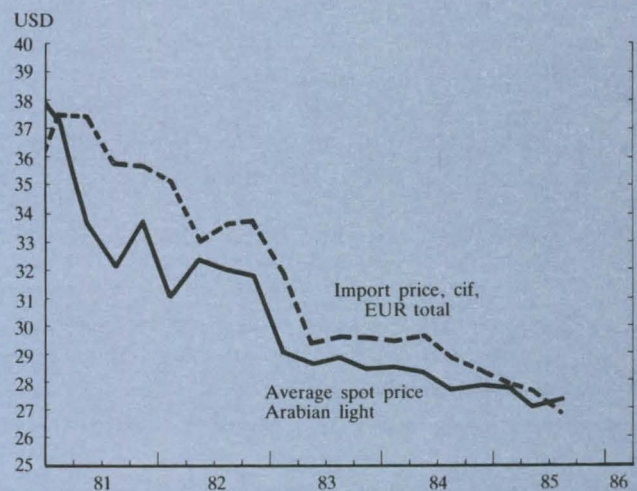


TABLE A.1 : Industrial production¹ - Percentage change on preceding period (s.a.)

	1980	1981	1982	1983	1984	1984		1985			1985							Change over 12 months 1985
						III	IV	I	II	III	March	April	May	June	July	Aug.	Sept.	
B	-1.3	-2.7	0	2.0	2.4	1.7	-0.7	0.7	1.0		3.1	-4.1	0.9	4.6	-4.6			2.3
DK	0.2	0	2.7	3.2	9.7	2.4	5.1	-5.8	2.8	5.0	-11.4	7.4	9.2	-2.8	1.9	2.0	1.8	11.1
D	0.2	-1.9	-2.9	0.6	3.0	6.1	1.5	0.4	1.2	1.4	0.9	-0.1	0.9	1.6	2.2	-3.0	-0.6	5.3
GR	0.9	-0.6	-4.2	-0.7	3.5	0.4	0	-1.4	1.8		-2.7	0.2	5.7	-2.0	6.2	-3.3		4.0
F	-0.7	-2.3	-1.5	0.8	2.3	3.1	-2.5	-0.8	0.8	2.0	1.5	-2.2	1.5	-1.5	3.1	0	-1.5	0
IRL	-0.8	2.2	0.3	6.5	12.9	-2.8	5.7	-0.3	-1.4		8.4	-5.9	0.8	-3.7	-2.2	0.8		3.5
I	5.5	-1.6	-3.0	-3.2	3.1	1.8	-1.8	1.8	0.3	-0.7	0.3	-4.3	1.3	2.8	-3.8	0.4	2.1	0.3
L	-3.3	-5.7	0.9	5.4	13.3	3.0	3.1	0.5	2.4		7.2	0.4	-3.8	3.5	-2.5	-2.0		4.5
NL	-1.0	-2.0	-4.1	2.1	5.2	0.7	-2.0	6.7	-3.1	-1.3	1.9	-5.6	2.0	1.9	-3.8	3.0	-3.8	0
UK	-6.6	-3.4	1.9	3.6	1.2	0.1	1.1	2.4	2.2	-0.4	1.8	0.9	0.3	-0.1	-1.0	0.3	1.5	5.6
EUR10	-0.5	-2.3	-1.5	0.9	2.8	2.3	0.5	0.6	0.9	(0.8)	0.7	-1.0	0.9	0.9	0.1	(-0.6)	(0.6)	(2.9)
USA	-2.9	2.1	-7.4	7.8	12.4	1.8	0.1	0.3	0.4	(0.6)	0.3	0.3	0	0.1	(0.2)	(0.6)	(-0.2)	(1.7)
JAP	4.7	1.0	0.3	3.6	11.1	1.6	2.7	-0.7	2.7	(-0.1)	-1.4	2.8	2.4	-2.0	(1.7)	(-1.3)	(1.1)	(3.5)

TABLE A.2 : Unemployment rate - Number of unemployed as percentage of civilian labour force (s.a.)

	1980	1981	1982	1983	1984	1984		1985			1985							Change over 12 months 1985
						III	IV	I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
B ⁶	9.1	11.1	13.0	14.3	14.4	14.4	14.4	14.4	13.7	13.0	14.0	13.8	13.4	13.1	13.0	12.9	12.8	
DK	6.7	8.9	9.5	10.2	9.8	9.9	9.4	9.4	8.8	(8.6)	8.9	8.9	8.8	9.0	(8.5)	(8.3)	(8.2)	(-15.2)
D	3.4	4.8	6.9	8.4	8.4	8.4	8.2	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	0.2
F	6.4	7.7	8.7	8.8	9.9	10.0	10.4	10.5	10.4	10.4	10.4	10.4	10.4	10.4	10.5	10.3	10.3	-0.4
IRL	8.2	10.2	12.2	14.9	16.5	16.6	16.7	17.2	17.4	17.9	17.3	17.3	17.6	17.8	18.0	17.9	17.6	6.3
I	7.2	8.0	9.7	10.9	11.9	11.9	12.1	12.4	12.8	13.0	12.6	12.6	13.0	12.9	12.9	13.0	13.0	8.6
L	0.7	1.0	1.3	1.6	1.7	1.7	1.6	1.6	1.7	1.6	1.7	1.7	1.7	1.6	1.6	1.6	1.5	-9.6
NL ⁶	6.2	8.8	11.8	14.3	14.5	14.4	13.8	13.5	13.2	13.1	13.3	13.3	13.0	13.1	13.2	13.0	12.8	
UK	(6.0)	(9.2)	(10.6)	(11.6)	11.8	11.8	11.9	12.0	12.2	12.2	12.1	12.2	12.2	12.2	12.2	12.1	12.1	1.6
EUR9	(5.8)	(7.7)	(9.3)	(10.4)	10.9	10.9	10.9	11.1	11.2	(11.2)	11.1	11.1	11.2	11.2	(11.2)	(11.1)	(11.1)	(1.0)
USA	7.1	7.6	9.7	9.6	7.5	7.5	7.2	7.3	7.3	7.1	7.3	7.3	7.3	7.3	7.0	7.1		-0.8
JAP ⁷	2.0	2.2	2.4	2.7	2.7	2.8	2.7	2.5	2.5	2.6	2.4	2.5	2.6	2.6	2.6	2.7		(-0.6)

TABLE A.3 : Consumer price index - Percentage change on preceding period

	1980	1981	1982	1983	1984	1984		1985			1985							Change over 12 months 1985
						III	IV	I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
B	6.6	7.6	8.7	7.7	6.4	1.2	0.9	1.8	1.3	0.7	0.4	0.1	0	0.5	0	0.2	-0.1	4.0
DK		11.7	10.1	6.9	6.3	1.0	1.4	1.3	1.5	-0.1	0.3	0.7	0	-0.4	-0.1	0.5	(0.3)	(3.7)
D	5.4	6.3	5.3	3.3	2.4	0	0.7	1.1	0.6	-0.2	0.2	0.1	0.1	-0.2	-0.3	0.2	0.2	1.8
GR	24.9	24.5	21.0	20.5	18.3	1.7	5.5	4.5	4.5	2.6	1.6	0.7	1.8	-0.7	0.3	5.0	3.3	21.1
F		13.4	11.8	9.6	7.3	1.7	1.4	1.4	1.8	0.9	0.7	0.5	0.4	0.4	0.1	0.1	0.3	4.9
IRL ⁸		20.4	17.2	10.4	8.6	1.2	0.7	1.9	1.3	1.5	(0.4)	(0.4)	(0.5)	(0.5)	(0.5)			5.4
I	21.2	17.8	16.5	14.7	10.8	1.4	2.4	2.9	2.4	1.1	0.8	0.7	0.5	0.2	0.3	0.5	(1.2)	(9.1)
L	6.3	8.1	9.4	8.7	5.6	0.6	1.1	1.0	1.6	0.5	0.9	0.1	0.2	0.5	-0.4	0	0.8	4.0
NL		6.7	5.7	2.7	3.2	0.1	1.1	0.2	1.0	0	0.4	0.1	-0.1	-0.2	0	0.5	(0.2)	(1.7)
UK	18.0	11.9	8.6	4.6	5.0	0.9	1.2	1.3	3.4	0.3	2.1	0.5	0.2	-0.2	0.3	-0.1	0.2	5.4
EUR10		11.7	10.1	7.6	6.3	0.9	1.5	1.6	1.9	0.5	0.8	0.4	0.3	0.1	0	0.3	(0.5)	(5.1)
USA	13.5	10.3	6.2	3.2	4.3	1.1	0.7	0.7	1.2	0.7	0.4	0.4	0.3	0.2	0.2	0.2	0.4	3.2
JAP	8.0	4.9	2.7	1.9	2.2	-0.2	1.2	0.1	0.9	0	0.5	0.4	0.1	0.1	-1.0	1.0	1.2	2.1

TABLE A.4 : Volume of retail sales - Percentage change on preceding period (s.a.)

	1980	1981	1982	1983	1984	1984		1985			1985							Change over 12 months 1985
						III	IV	I	II	III	March	April	May	June	July	Aug.	Sept.	
B		-3.3	-1.3	-7.1	-1.8	1.7	-1.0	0	1.1		1.7	0.5	3.1	-3.7	6.2			5.3
DK		-0.6	1.7	1.6	3.0	0.1	0.3	-2.1	1.3	3.4	-0.1	-1.4	5.9	-2.1	3.2	0.2	-1.0	1.2
D		-1.4	-3.9	0.9	0.4	0.2	-1.8	-0.7	1.7	2.3	-1.5	5.5	1.2	-5.1	7.3	-0.2	-4.6	-1.4
GR		-3.3	-4.1	-0.5	4.3	-0.8	-1.7	-4.4	2.0		-0.7	-0.9	-0.6	4.1	1.6	-2.9		0.3
F		-2.2	1.3	-3.1	-5.0	-0.3	-2.7	1.4	-0.5		0.7	-0.9	1.6	-0.2	0.3	1.7		-0.7
IRL		-0.6	-5.4	-3.5	-1.4	-1.6	0.6	-1.1	3.3		2.2	-0.2	3.4	0.4	-0.8			3.3
I ⁹			3.9	2.4	9.3	0.2	3.5	-1.7	0.2		3.5	-2.4	4.7	-4.2	3.8			10.2
L ⁹		3.9	4.6	-5.0	-2.1	-1.5	1.2	1.3	1.8		1.3	-3.1	2.8	-3.5	-1.2			0.5
NL		-3.6	-2.9	-1.9	-2.7	0.3	-0.3	-0.3	0.6	0.3	1.2	-2.0	5.6	-5.4	0.3	7.7	-8.7	-4.4
UK		0.2	2.0	4.8	3.4	0.8	1.2	0.6	1.4	1.3	1.1	-0.4	1.6	0.6	0	1.3	-1.4	2.8
EUR10			0	0.5	1.6	0.2	0.1	-0.3	0.8		0.8	0.5	2.5	-2.6	3.2			5.3
USA	-3.0	1.1	-1.0	7.1	8.4	-0.8	1.6	1.0	2.4	2.1	-0.5	2.9	-0.2	-1.0	0.5	(2.2)	(2.4)	(9.3)
JAP ⁹	-1.1	1.8	0.7	0.9	3.1	2.2	-2.6	5.0	-1.4		0.5	-0.5	-1.4	0.3	(2.4)	(-0.7)		(3.5)

TABLE A.5 : Visible trade balance - fob/cif, million ECU (s.a.)

	1980	1981	1982	1983	1984	1984		1985			1985							Change over 12 months 1985
						III	IV	I	II	III	March	April	May	June	July	Aug.	Sept.	
B/L	-4993	-5418	-3082	-2435	-4897	-1478	-1306	-1501	-581	-378	-178	-375	-114	-93	-191	-111	-77	552
DK	-2116	-1475	-1866	-740	-1108	-188	-204	-494	-306	-283	-196	-160	-216	69	-155	-110	-18	16
D	3615	11239	21599	18501	24136	5614	8377	6589	8631	8728	2424	2707	3125	2799	3276	2413	3040	1019
GR	-3853	-3951	-5826	-5800	-6048	-1146	-2073	-1727			-498	-468	-984					-673
F	-16948	-17283	-24457	-15628	-13130	-2450	-2736	-3810	-3028	(-3438)	-730	-1277	-1240	-511	-1471	-993	(-973)	(-121)
IRL	-1893	-2467	-1574	-621	81	26	-32	195	56	(142)	153	-109	28	136	20	79	(44)	(-67)
I	-15307	-13554	-12513	-8516	-13849	-2230	-5148	-5505	-5911		-1808	-2046	-1763	-2102	-738	-609		505
NL	-2981	1320	3500	4499	4740	589	1419	492	1234	944	-36	670	182	383	470	219	255	152
UK	-3353	-445	-3295	-9681	-14005	-3876	-3930	-4514	-2272	-2494	-2017	-1074	-238	-960	-943	-779	-772	893
EUR10 ¹⁰	-47829	-32033	-27515	-20422	-24080	-5221	-6016	-10258	(-4681)		-3001	-2211	-1326	(-1144)	(-665)	(-949)		(1131)
USA	-26113	-35538	-43518	-77969	-156288	-46099	-38116	-47958	-52238	-45831	-16364	-16345	-17591	-18302	-13612	-12410	-19809	-430
JAP	-7707	7832	7034	23072	42599	9698	14810	13114	14354	14625	3732	3974	5126	5254	4790	5132	4703	107

TABLE A.6 : Money stock¹¹ - Percentage change on preceding period (s.a.)

		1980	1981	1982	1983	1984	1984		1985			1985							Change over 12 months %
							III	IV	I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
B	(M2)	2.6	5.8	5.7	8.7	5.7	1.4	0.2	3.2	1.1	:	:	:	:	:	:	:	:	6.0
DK	(M2)	8.1	9.6	11.5	25.5	17.8	4.0	5.7	-0.8	4.1	4.5	1.5	0.7	1.8	1.2	2.1	1.2	0	11.1
D	(M3)	6.2	5.0	7.1	5.3	4.7	1.5	1.4	1.0	1.4	0.7	0.4	0.2	0.8	0	0.3	0.4	0.4	4.7
GR	(M3)	24.7	34.7	29.0	20.3	29.4	5.8	8.9	5.7	(7.9)	(6.2)	2.9	3.5	(1.3)	(2.2)	(2.3)	(1.6)	:	(30.8)
F	(M2R)	8.4	10.4	10.8	11.2	8.3	1.5	2.6	1.5	1.3	(2.5)	0.5	-0.8	1.7	-0.1	1.0	(1.6)	:	(7.9)
IRL	(M3)	17.7	17.4	13.0	5.6	10.1	2.9	3.8	-0.4	1.3	1.7	2.0	0.6	-1.3	0.7	1.6	-0.5	1.2	6.0
I	(M2)	12.7	9.9	16.9	13.3	12.1	3.4	2.9	4.3	3.0	2.7	1.3	1.8	0	1.2	1.1	0.4	0.7	13.1
NL	(M2)	3.8	5.3	7.6	10.4	7.7	2.6	1.1	3.7	-0.5	:	0.7	-0.8	-0.3	0.4	1.1	:	:	6.2
UK	(£M3)	18.5	13.7	8.9	10.3	9.8	1.3	3.0	2.2	5.8	2.9	2.9	0.5	2.3	-0.8	1.9	1.8	0.8	15.1
EUR10 ¹²		10.4	9.4	10.4	10.1	8.5	1.9	2.4	2.2	(2.5)	:	1.2	0.3	(1.0)	(0.1)	(1.0)	:	:	(9.6)
USA	(M2)	8.9	10.0	9.4	11.7	8.2	1.7	2.7	2.4	1.8	2.2	-0.1	0.7	1.1	0.7	0.9	0.6	0.2	9.2
JAP	(M2)	7.2	11.0	7.9	7.3	7.8	3.1	0.8	3.5	1.4	1.0	-0.8	0.5	1.6	-0.3	0.7	0.5	:	7.0

TABLE A.7 : Short-term interest rates¹³

		1980	1981	1982	1983	1984	1984		1985			1985					Change over 12 months %		
							III	IV	I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.	
B		14.2	15.6	14.1	10.5	11.5	11.0	10.7	10.7	8.9	9.4	9.3	8.9	8.9	9.6	9.4	8.9	8.6	-2.2
DK		16.9	14.9	16.4	12.1	11.5	11.3	12.0	12.0	10.3	9.4	9.4	10.3	9.5	9.3	9.4	10.0	9.3	-2.1
D		9.5	12.3	8.8	5.8	6.0	5.8	5.8	6.3	5.7	4.7	5.8	5.7	5.1	4.6	4.7	5.0	4.8	-1.0
GR		11.0	16.8	20.2	19.4	15.7	15.0	16.8	19.3	16.6	16.5	16.5	16.6	16.4	17.9	16.5	17.3	19.5	3.2
F		12.3	15.6	14.6	12.5	11.7	11.0	10.8	10.7	10.2	9.5	10.2	10.2	9.9	9.7	9.5	9.3	8.8	-1.8
IRL		16.2	16.6	17.5	14.1	13.3	13.0	15.0	13.9	11.6	10.1	12.4	11.6	10.2	10.3	10.1	10.1	10.6	-4.3
I		17.6	20.0	20.1	18.1	17.2	17.7	17.0	15.6	15.1	14.1	15.2	15.1	14.6	14.2	14.1	14.8	14.6	-2.5
NL		10.6	11.8	8.3	5.7	6.1	6.2	5.7	6.9	6.7	5.8	6.9	6.7	6.1	5.7	5.8	6.2	5.9	0
UK		16.8	14.2	12.2	10.1	10.1	10.8	10.0	13.2	12.6	11.5	12.5	12.6	11.2	11.7	11.5	11.6	11.6	1.8
EUR10 ¹⁴		13.4	15.0	13.2	10.8	10.5	10.5	10.2	10.8	10.1	9.3	10.2	10.1	9.5	9.4	9.3	9.5	9.4	-0.7
USA		11.6	14.0	10.6	8.7	9.5	10.2	7.8	8.2	6.8	7.3	7.1	6.8	7.3	7.4	7.3	7.4	7.4	-1.0
JAP		10.9	7.4	6.9	6.4	6.1	6.3	6.3	6.3	6.3	6.4	6.3	6.3	6.3	6.4	6.4	7.8	7.9	1.6

TABLE A.8 : Long-term interest rates¹⁵

						1984		1985			1985							Change over 12 months %
	1980	1981	1982	1983	1984			I	II	III	April	May	June	July	Aug.	Sept.	Oct.	
						III	IV											
B	12.2	13.8	13.5	11.8	12.0	11.9	11.6	11.5	10.3	10.4	11.5	10.8	10.3	10.5	10.5	10.4	9.7	-2.0
DK	18.7	19.3	20.5	14.4	14.0	14.6	14.0	13.0	11.8	11.1	12.3	11.8	11.8	10.6	10.5	11.1	10.7	-3.5
D	8.5	10.4	9.0	7.9	7.8	7.6	7.0	7.6	6.9	6.3	7.3	7.1	6.9	6.7	6.4	6.3	6.5	-0.9
GR	17.1	17.7	15.4	18.2	18.5	16.4	17.9	18.4	17.8	14.2	18.3	15.6	17.8	14.4	14.0	14.2	14.0	-3.3
F	13.7	16.3	16.0	14.4	13.4	13.1	12.7	12.3	12.1	12.0	12.0	11.7	12.1	11.9	12.0	12.0	11.7	-0.3
IRL	15.4	17.2	17.0	13.9	14.6	15.0	14.9	13.6	12.4	11.9	13.1	13.2	12.4	11.2	11.7	11.9	11.8	-3.2
I	16.1	20.6	20.9	18.0	14.9	14.5	13.9	12.8	13.3	13.0	13.3	13.4	13.3	13.3	13.5	13.0	12.8	-1.8
L	7.4	8.6	10.4	9.8	10.3	10.4	10.0	9.7	9.6	9.3	9.7	9.7	9.6	9.4	9.4	9.3	9.3	-1.3
NL	10.7	12.2	10.5	8.8	8.6	8.4	7.8	8.6	7.8	7.4	8.0	7.9	7.8	7.7	7.3	7.4	7.7	-0.3
UK	13.9	14.8	12.7	10.8	10.8	10.6	10.8	10.7	10.7	10.3	10.7	10.8	10.7	10.3	10.4	10.3	10.3	-0.3
EUR10 ¹⁴	12.7	14.9	14.0	12.2	11.4	11.1	10.8	10.7	10.4	10.0	10.6	10.4	10.4	10.1	10.1	10.0	9.9	-0.9
USA	10.8	12.9	12.2	10.8	11.2	12.0	11.2	11.8	10.4	10.7	11.4	10.9	10.4	10.5	10.6	10.7	10.6	-1.1
JAP	9.2	8.7	8.1	7.4	6.3	6.8	6.3	6.6	6.3	5.9	6.5	6.4	6.3	6.3	6.1	5.9	6.7	0.1

TABLE A.9 : Value of ECU - 1 ECU = ... units of national currency or SDR

	1980	1981	1982	1983	1984	1984		1985			1985							Change over 12 months %
						III	IV	I	II	III	May	June	July	Aug.	Sept.	Oct.	Nov.	
BFR/LFR	40.60	41.29	44.68	45.44	45.44	45.25	45.01	44.66	45.12	45.13	45.09	45.23	45.30	45.05	45.04	44.82	44.67	-0.8
DKR	7.83	7.92	8.15	8.13	8.15	8.15	8.04	7.96	8.05	8.07	8.06	8.06	8.08	8.06	8.07	8.02	7.99	-0.8
DM	2.53	2.51	2.38	2.27	2.24	2.24	2.23	2.23	2.24	2.23	2.24	2.25	2.25	2.23	2.23	2.21	2.21	-1.0
DR	59.24	61.62	65.30	78.09	88.44	88.83	91.57	91.97	98.47	104.5	98.68	99.44	101.7	104.9	106.9	122.1	130.0	41.4
FF	5.87	6.04	6.43	6.77	6.87	6.87	6.84	6.81	6.83	6.81	6.83	6.84	6.84	6.80	6.79	6.74	6.73	-1.6
IRL	0.676	0.691	0.690	0.715	0.726	0.726	0.719	0.715	0.716	0.716	0.716	0.717	0.718	0.715	0.716	0.715	0.714	-0.8
LIT	1189	1263	1324	1350	1381	1380	1382	1382	1430	1484	1429	1432	1466	1493	1493	1493	1492	7.6
HFL	2.76	2.78	2.62	2.54	2.52	2.53	2.52	2.52	2.53	2.51	2.53	2.53	2.53	2.50	2.50	2.49	2.49	-1.1
UKL	0.598	0.553	0.561	0.587	0.591	0.592	0.601	0.614	0.578	0.570	0.578	0.572	0.560	0.576	0.576	0.588	0.592	-1.5
USD	1.391	1.116	0.981	0.890	0.789	0.768	0.731	0.684	0.726	0.785	0.720	0.733	0.772	0.798	0.785	0.837	0.852	14.1
YEN	315.0	245.4	243.5	211.4	187.0	186.9	179.8	176.1	182.0	187.0	181.2	182.4	186.3	189.3	185.5	179.6	173.8	-4.2
SDR	1.068	0.946	0.888	0.833	0.767	0.757	0.732	0.707	0.732	0.764	0.728	0.735	0.757	0.772	0.763	0.785	0.788	5.9

TABLE A.10 : Effective exchange rates: export aspect¹⁶ - Percentage change on preceding period

	1984					1985					1985					Change over 12 months q ²		
	1980	1981	1982	1983	1984	III	IV	I	II	III	May	June	July	Aug.	Sept.		Oct.	Nov.
B/L	-0.5	-5.8	-9.2	-2.8	-2.1	0	-0.3	0.1	0	1.0	-0.2	-0.1	0.5	0.9	-0.2	1.0	0.4	2.5
DK	-7.9	-7.5	-4.4	-0.6	-3.2	-0.5	0.4	0.3	0	1.1	-0.5	0.2	0.5	1.1	-0.5	1.6	0.5	3.4
D	0.4	-5.6	5.0	4.0	-1.3	-1.4	-0.9	-0.7	1.0	2.1	-0.4	0.2	0.9	2.0	-0.4	1.8	0.3	4.5
GR	-13.4	-10.2	-8.0	-18.0	-14.0	-1.7	-4.2	-1.5	-4.9	-4.0	-1.6	-0.3	-1.0	-2.3	-2.3	-11.7	-6.0	-27.1
F	0.5	-8.8	-8.3	-7.2	-4.6	-1.2	-0.8	-0.4	1.3	2.3	-0.3	0.3	1.2	1.6	-0.2	1.8	0.4	5.5
IRL	-2.1	-8.7	-1.1	-4.1	-4.0	-0.7	0.4	0.1	-0.2	1.1	-0.5	0	0.3	1.7	-0.5	1.7	0.4	3.2
I	-3.6	-12.4	-6.9	-3.8	-5.4	-1.1	-1.5	-1.1	-1.9	-2.3	-0.2	0.2	-1.4	-1.2	-0.4	1.1	0.3	-4.6
NL	0.2	-4.3	5.1	2.1	-1.4	-1.2	-0.6	-0.8	0.7	1.9	-0.2	0.3	0.7	1.7	-0.2	1.2	0.4	3.4
UK	10.0	0.2	-4.4	-6.9	-4.6	-1.8	-3.4	-3.6	9.1	3.6	1.0	1.6	3.8	-2.0	-0.4	-1.0	-0.3	5.8
ECU	2.3	-14.7	-5.8	-5.8	-8.0	-3.2	-3.3	-2.7	4.4	4.1	-0.4	1.1	2.6	1.8	-1.0	2.2	0.3	7.1
USA	-0.2	12.8	12.0	5.7	8.0	6.3	3.2	6.2	-3.4	-5.7	0.5	-1.3	-4.0	-2.2	1.3	-5.4	-1.7	-8.6
JAP	-4.0	13.6	-5.0	10.8	6.2	-1.9	1.3	-0.6	0.4	1.1	0.1	0.3	0.3	0.2	1.4	6.8	4.6	13.7

Principal economic policy measures — November 1985

Community (EC)

12.11 At the meeting arranged at Val Duchesse between the Union of Industries of the European Community (UNICE), the European Trade Union Confederation (ETUC), the European Centre of Public Enterprises (CEEP) and the Commission, those present took part in a wide-ranging discussion as to how to improve performance in the field of investment, growth and employment in the Community; they recorded their agreement on the broad lines of the «cooperative strategy for growth and employment» proposed by the Commission. They agreed to continue this dialogue in order to examine ways and means of implementing the strategy at Community level and within individual countries and sectors.

18.11 The Council (Economic and Financial Affairs) agreed to the granting of a Community loan of 1 750 million ECU to the Hellenic Republic under Regulation (EEC) No 682/81 on the Community loan mechanism to support the balance of payments of Member States.

The loan is available to the Hellenic Republic in two equal and consecutive instalments:

- the first instalment, on conclusion of the borrowing operations;
- the second instalment, within a year of payment of the first instalment and, in any case, not before 1 January 1987, the second instalment being released in the light of the examination of developments in the economic situation of the beneficiary Member State and of the results obtained in implementing the economic recovery programme.

The loan is granted on the basis of the Greek decision to implement an economic recovery programme.

The Commission, in collaboration with the Monetary Committee, will examine at regular intervals developments in the economic situation of Greece and progress in implementing the economic recovery programme.

Belgium (B)

14.11 The Banque Nationale lowered the discount rate from 9 % to 8.75 % and the rate for advances from 9.50 % to 9 %.

Denmark (DK)

None.

Federal Republic of Germany (D)

29.11 Parliament adopted a Bill providing for allowances and leave for parents bringing up their new born babies (Gesetz zur Einführung eines Erziehungsgeldes und eines Erziehungsurlaubs). The cost of the allowances to the Federal government is estimated at DM 1 500 million in 1986 and DM 2 500 million in 1987.

Greece (GR)

6.11 Following the increase in interest rates charged on the working capital of craft workers and cooperatives, the export refund for such enterprises was raised from 3 % to 6 % of the value of their exports with effect from 1 November 1985.

20.11 The Minister for Economic Affairs announced the objectives of the public investment programme for 1986, under which expenditure is set to increase by 15 %.

21.11 By decision of the Governor of the Bank of Greece, enterprises with foreign currency bank debts will be allowed to settle all such debts, when they fall due, in drachmas if they so request.

27.11 The central government draft general budget for 1986 was tabled. The draft budget is in keeping with the recently introduced austerity programme, and provides for a gross borrowing requirement of 10.6 % of GDP, which is 2.5 percentage points down on 1985. The planned 32.5 % increase in revenue will come mainly from stepping up the fight against tax evasion and from a special tax on the profits of enterprises and the professions. Budgetary expenditure will go up by 20.3 % which is slightly less than the anticipated inflation rate. The growth rate of investment budget expenditure, in particular, will slow down to 16 %, whereas ordinary budget expenditure will increase by 22 %, mainly because of the 44 % increase in the debt service burden and an 83 % increase in payments to the European Communities. According to the draft budget, the net borrowing requirement of public enterprises and public entities (including the social security fund), estimated at 3.5 % of GDP in 1985, will fall to 2.1 % in 1986.

France (F)

5.11 The reform is continuing of the system of low-interest loans to enterprises. The overall budget for such loans has been cut by one third, from FF 18 000 million in 1985 to FF 12 000 million in 1986, and in order to reduce the effect of this measure on small and medium sized enterprises, they will now be the sole beneficiaries of such loans.

6.11 Large companies will be allowed to issue «commercial paper» in minimum batches of FF 5 million or FF 10 million, with maturities of between 10 and 180 days and carrying a fixed rate of interest.

8.11 Industrial prices will not be fully liberalized at the start of 1986. All sectors will still remain under control despite some gradual easing of restrictions. The maximum authorized increases may not exceed 2 %.

15.11 The Banque de France cut its key money market intervention rate by 3/8 of a percentage point with effect from 15 November 1985, in line with the slowdown in the annual rate of inflation and the franc's firmness on the foreign exchange markets.

20.11 The Government adopted a draft law aimed at making working hours more flexible, subject to agreements between unions and employers negotiated at industry level. From now on it will be possible for the working week to be calculated on a yearly basis: for example, on occasion 41 hours or even 44 hours a week could be worked, provided that the average for the year was no more than 38 hours in the first case or 37 hours 30 minutes in the second. In both cases the number of hours' overtime which may be worked in a year is reduced from 130 to 80.

20.11 Unions and employers signed a new unemployment insurance agreement which provided for a «redeployment» of the benefits paid to the unemployed with effect from 1 April 1986. As a result of this new agreement, the unemployment insurance scheme is likely to stay in balance until the end of 1987.

20.11 According to the Government's estimates, presented in conjunction with the supplementary budget, the central government budget deficit for 1985 will reach FF 149 400 million instead of the FF 140 000 million forecast by the original finance law. Revenue is FF 1 400 million down on the forecasts because of a contraction in corporation tax, and expenditure is FF 10 500 million up, mainly because of the public-sector debt, the cost of which has increased as a result of higher-than-forecast interest rates.

20.11 The Industrial Modernization Fund (Fonds industriel de modernisation) is expected to reduce its budget to FF 9 000 million in 1986, compared with FF 11 000 million in 1985, because its resources, which come from private investors' savings deposits with the Industrial Development Account (CODEVI), have been falling since the second quarter of 1985.

Ireland (IRL)

None.

Italy (I)

8.11 On a proposal from the Governor of the Banca d'Italia, the Minister for the Treasury decided to cut the discount rate from 15.5 % to 15 %. The penalties on banks which make frequent use of the central bank's fixed-term advances have also been reduced.

20.11 For the first time the Treasury issued zero coupon bonds on the Swiss financial market. The life of the issue is twenty years, the nominal value SFR 300 million and the interest rate 5.5 %.

25.11 The Minister for the Civil Service and the secretaries of the trade union federations initiated an agreement in principle on the modification of the wage indexation system, as a preliminary to the opening of negotiations on the renewal of contracts in the eight public-sector branches. The agreement will probably be ratified at the beginning of December in order to take account of the negotiations in progress between the trade unions and Confindustria, the private sector employers' association, on the same subject. As well as the sliding scale mechanism, the agreement also covers working hours, employment, the productivity fund and the self-regulation of strikes. With regard to the sliding scale the agreement provides for 100 % indexation of the first LIT 580 000 of the monthly wage and 25 % indexation of the amount above that. Adjustments will be applied every six months instead of every three months, the first one being due on 1 May 1986. The effect on the index of the increase in indirect taxes will be neutralized. The 36-hour working week is to become general for civil servants by 31 December 1987.

26.11 Following the issue of a third Eurolira private loan, the Italian authorities announced their intention of limiting this type of issue to LIT 150 000 million a month. At present the Eurolira market is constituted primarily by bank deposits equivalent to between five and six thousand million dollars, i.e. 0.5 % of the Eurocurrency market.

Luxembourg (L)

None.

Netherlands (NL)

20.11 The Minister for Finance announced measures to deregulate the capital market. From 1 January 1986 the following will be authorized:

- floating rate notes;
- issues of bearer bank certificates and certificates of deposit with a life of under two years and the issue by companies of three- to six-month commercial paper;
- foreign banks will be allowed to lead-manage issuing syndicates for guilder bonds;
- bond issues with a minimum life of two years instead of the present average of 5 1/2 years;
- the full reimbursement of borrowings at the final maturity date (fixed-term borrowing);
- the access of foreign banks to the Dutch capital market;
- foreign banks will be permitted to underwrite up to a third of a bond issue (the previous ceiling was a fifth).

The issue of zero coupon bonds and indexed issues are still prohibited and the issue calendar is retained for borrowings in excess of HFL 50 million.

United Kingdom (UK)

12.11 In the Autumn Statement, the Chancellor of the Exchequer presented public expenditure plans for the financial years 1986/87 to 1988/89. The planning totals set for 1986/87 (UKL 139 100 million) and for 1987/88 (UKL 143 900 million) in the March 1985 Budget remain unchanged, but within the totals the levels of allocated departmental spending have been raised, by some UKL 4 000 million in 1986/87 and more than UKL 3 000 million in 1987/88. Part of the higher spending is offset by a reduction in the reserves, and part by an increase in the planned 'special sales of assets' (which is accounted for as negative expenditure), from UKL 2 250 million to UKL 4 750 million, in each year. Even when adjusted for asset sales, the planned level of public expenditure remains broadly constant in real terms up to 1988/89. For the current financial year, the outturn for the public sector borrowing requirement was estimated at UKL 8 000 million (2 1/4 % of GDP), UKL 1 000 million more than forecast at the time of the Budget.

28.11 The Government announced new measures intended to combat long-term unemployment:

- the Job Start scheme (at first on an experimental basis) will provide a bonus for those who have been out of work for more than a year to take a low-paid job.
- a system (also experimental at first) of interviews and counselling for the long-term unemployed in order to boost their chances of finding jobs, training or Community Programme work.

Prices (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD	
„European Economy” (4 issues per year)	33.06	1 500	23.90	19.50	25.00	The annual subscription runs from 1 January to 31 December of each year.
Supplements						
Series A — 'Economic trends' (11 issues per year)	11.02	500	8.00	6.50	9.00	Payments to be made only to the agents in the countries listed on page 3 of the cover of European Economy.
Series B — 'Business and consumer survey results' (11 issues per year)	14.10	640	10.20	8.50	10.50	
Complete series of supplements	24.24	1 100	17.50	14.50	18.00	These are surface mail rates; for air subscription rates please apply to the agents
Combined subscription — 'European Economy' and supplements	44.07	2 000	31.90	26.00	33.00	



OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES

